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Practical Issues in Financial and Life Management for the Late-in-Life Population

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Financial wellness is an idea promoted with support from many employers as well as financial service companies. But there is a group often forgotten in these efforts—those in the last years of life. These issues have become more important recently because the population age 85 and over is growing.

Society of Actuaries Committee on Post-Retirement Needs and Risks (CPRNR) research shows big gaps in planning and a failure to focus on the long term, leaving open the big question of what will happen to people as they reach ages over 85 and whether things will fall apart.

If we start at age 85, most people will live a few years and some will live 15 to 20 more years. There are critical questions for those who are late in life but may have several years of life left, including:

- How do we ensure our assets last?
- What kind of help will we need and where do we find it?
- If we are unable to manage our finances, what should we do?
- How do we recognize when we are starting to have problems dealing with our lives?
- Will we have cognitive problems? Mobility problems? Increasing health challenges?
- How will we pay for health and long-term care?

- Where should we live?
- Should we move into senior housing? If so, when? Can we afford it?
- If the partner who does the most to keep things together becomes limited, what do we do?

Think of these issues as a mosaic. While some of them are part of traditional retirement planning, some are often overlooked. Assistance with management of finances and general support are considered once needed but not in longer-term planning. They raise substantial issues for multiple generations in the family. This essay brings together personal experience and research about the very old and fills in some parts of the mosaic. It specifically focuses on the issues of help and financial management. The essay is strongly focused on recommendations to prepare for this period and considers people planning for themselves and their helpers, most often their children and other supportive family members.

Context and Basic Assumptions

From living arrangements to legal issues, there are many factors to keep in mind as we think about these concerns.

CHANGE LATER IN LIFE

There do not appear to be any specific changes related directly to a specific age. However, many more people need help at the older ages. Many people will have experienced cognitive or physical decline. The percentage of people who have experienced decline is much greater at the high ages. Examples of common types of physical decline include loss of mobility, balance problems, slowing down, hearing loss and sight limitations. People who are not sick may still experience significant decline.

LEGAL ISSUES

Legal documentation and instructions lay the foundation for some help.¹ However, practical advice is provided in this essay assuming wills, powers of attorney and trusts, if they are used, are in place. It is assumed the individual has an attorney, and worked with an attorney to write a will and set up powers of attorney designating helpers for both financial and health care issues.

¹ Additional legal issues beyond the scope of the essay, but that affect the 85 and over population, include court-appointed guardians when people are unable to function and have no designated helpers, and Adult Protective Services to safeguard seniors from abuse. When financial institutions suspect abuse, they should call on these services.

TYPES OF HELP NEEDED

Some people experience a period of decline at the end of life but others do not. There is a huge range in the types of help needed and the period it is needed for. Aid may be needed for many years and some of the help requires expertise and/or physical strength.

Once there is cognitive decline or a significant medical event, everything changes. Unmanaged cognitive decline can be very messy and bad things may happen before the situation is recognized. This can severely deplete assets before a helper assumes a major role.

In addition to assistance with household tasks, transportation, shopping and physical tasks, financial management assistance includes support with daily tasks like bill paying, as well as advice about decisions and managing investments. In some cases, the helper becomes the effective decision-maker. Help with daily money management is different from the services generally provided by financial advisers.

Couples may find that one person experiences decline and the other can help and assume a greater role. In other cases, couples both experience decline and both need assistance. Single individuals including the survivor after one member of a couple dies are most likely to need aid.

MAKING AND SUPPORTING DECISIONS

Helpers perform some well-defined tasks and others that are more ambiguous. It is desirable for people to communicate with their helpers their wishes about financial management, health decisions, giving gifts and distribution of property. The helpers need to hear from those they are assisting about their philosophy and rationale and what they want. The helpers also need to be supported by others who may not like the decisions made. The ability to make decisions may gradually change, or there may be a sudden event, leaving the helper without further guidance.

ATTEMPTED FRAUD

The elderly are often targeted by fraudsters, but they are not the only target. In this day of electronic fraud, everyone is a target. Fraudsters are knowledgeable about opportunities and people who are more vulnerable. People helping others need to be alert and prepared. Family members can also take advantage of those in need.

Care is necessary in choosing and watching over helpers as they too can be involved in fraud.

FAMILY ISSUES

Where there are multiple children, usually one or two of them (often not all) are chosen to manage for the parents. The issues are more complex in blended families, particularly when there are children from prior marriages.

The burden of caretaking may not be spread equally. Some family members will be far away from those who need assistance. Some will not want to help. And many baby boomers will work to later ages than the group before them. Some of these families had children quite late. For some, it may be very difficult to spend large amounts of time helping older parents while they are still raising children and working.

PREFERRED LIVING ARRANGEMENTS

Most people prefer to stay in their own homes, but this can become very complex and expensive.

Findings From our Experience and Investigation

After all of the legal documentation is in place (and even if it is perfect), there remain practical challenges. Our ideas focus on helping things go smoothly and on removing barriers.

MONEY MANAGEMENT PRACTICES AND HELP

- People living independently without significant cognitive difficulty often continue their prior money management practices as they age.
- People in assisted living need more support and very often get help with money management. Family, very often children, are frequent helpers. Family members are not necessarily well qualified to assist.
- There are professionals who specialize in daily money management and bill paying. Some of them specialize in working with elders. We have no evidence about how often such services are used.
- Financial advisers who helped at an earlier age are often but not always continued later in life. When adult children do not work with the same advisers as their parents, the children may encourage a change.

PRACTICAL ISSUES AND PROBLEMS

- Serving as a trustee on a personal trust or as a helper in a different role can be a difficult job even if the paperwork is perfect. Many families have disagreements, creating challenges.
- Oversolicitation by charities is common and potentially a form of abuse. Helpers may have a role in controlling contributions.
- Some older individuals are approached by family members and others for gifts and loans. Such requests can be a thorny issue, particularly for family members who are helping their older relatives.
- Some people have secret lists of assets and/or debts they do not expect to reveal when they turn over information about their finances. The helper needs assurances that they have the entire story.
- Powers of attorney and living wills need to be available at the right time. But even then there may be practical challenges in dealing with them. Powers of attorney can also be abused.
- Problems can occur when the family is in different locations.

TRANSITIONS

- When a family member is having problems but does not want to transition responsibility, it can get quite messy. The potential helper and others may start to recognize the issues, but it may not be easy to move forward.
- Any of the people involved may be in denial, making the transition much more difficult.
- Transitions can be fuzzy and can lead to things falling through the cracks. The transition is a time when there is a hand-off of responsibility for duties such as managing investments, taxes or day-to-day finances. Transitions may occur in stages.²
- In couples where one has handled all the finances, there can be a mess when that person is no longer able to function.

- When an adviser realizes the client seems to be having problems, it can get quite messy. There is a process to handle this, for example, designating a person the adviser can contact if they need to talk issues over. Some firms have a process in place for this. This may use a form identified as “In case of emergency.”³

FAMILY ISSUES

- There can be resentment and difficulty over tangible belongings, regardless of whether they may have a lot of economic value.

Tips for Family Members who May Serve as Helper

Planning can anticipate changes later in life to varying degrees. The job of helper can be made much easier when the person being helped discusses their wishes and works with the helper to avoid practical problems. It will probably smooth the way if the person to be helped:

- Engages in discussions now with the expected helper and other important family members, either as a group or individually to determine if there are pre-existing issues or ill will regarding their support, care and estate plan
- Discusses preferences with regard to gifts, charitable contributions, disposition of personal property and health care
- Provides guidance about where the helper can seek confidential guidance and support if there is a conflict
- Offers the helper access to all advisers and an introduction before the time help is needed

The transitions will probably be easier if there has been advance discussion of the conditions that would trigger transition, and some documentation. This is particularly important because denial is a common response at the point a transition is desirable.⁴

2 For an example of a gradual transition of financial responsibility and the triggers for each step along the way, see the case study in Anna M. Rappaport, “Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience,” *Managing the Impact of Long-Term Care Needs and Expense on Retirement Security Monograph*, Society of Actuaries (2014), <https://www.soa.org/Library/Monographs/Retirement-Systems/managing-impact-ltc/2014/mono-2014-managing-ltc.aspx>.

3 This issue was discussed at the 2016 Pension Research Council Conference. See Anna Rappaport and Monica Dragut, “Financial Decision-Making and Aging: Observations About the 2016 Pension Research Conference,” *Pension Section News* 90 (September 2016): 50–54, <http://pensionsectionnews.soa.org/?issueID=10&pageID=51>. Another option is going to Adult Protective Services, but that is usually a second choice.

4 Some possible triggers for transfer include an individual being unable to maintain and balance their checkbook, failure to send in documents on a timely basis and unpaid bills when the individual previously always paid on time. An anecdote mentioned in an SOA committee discussion was that the individual’s father was suddenly unable to determine the tip on a restaurant bill.

Tips for the People Needing Help

Getting legal documents in place is a first step. Next is to decide how much is to be communicated and when. Some people prefer not to communicate too much to the family until the time for help is very close. There is a trade-off between privacy and smoothing the situation once assistance is needed. Sometimes one knows help is needed now, and, in other situations, one does not know when it will be needed. There can always be a sudden event that triggers the need for support, such as an accident or a stroke.

In families with multiple children or relatives interested in the situation, there is significant potential for conflict. The person who will get the help can reduce the potential for future conflict by what and how they communicate. The more one does to specify what one wants, the less potential for conflict. Specifying the distribution of tangible property (or giving it away earlier) reduces one type of conflict. It is also important to communicate about any promises made.

Communicating to all of the children what authority and instructions have been granted to the person offering the help can also be of benefit, but sometimes it will not. Setting limits on gifts and communicating them can also be useful.

Communication to the helpers is very important. Full disclosure of assets and liabilities, legal documents, safety deposit box contents and key locations, and the location and combinations of safes are a start. Wishes with regard to charitable donations and gifts are also important, as are wishes with regard to health care and health care decisions.

In spite of the best efforts to keep things peaceful, it might not work. It is useful to identify in advance an adviser to the designated helper if a sounding board is needed.

Conclusion

Our society is experiencing substantial growth in the age 85+ population and this will continue for a long time. Some people will live a long time at this life stage, creating new challenges for families and our society. More focus is needed on practical issues and useful solutions for life challenges at very high ages. Solutions need to consider the diversity of family situations including people with and without partners, people with and without children, and those without access to any family helpers. Financial wellness programs can be used to help people improve their personal solutions.

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